# Lesson 8: Trade Unions

## Economics of Labor and Human Resources | May 07, 2026

### Agenda

- 3 Pillars of Labor Law
- Labor Relations
- Right to Self-Organization
- 2 Notions in Forming Union, Association, or Self-Organization
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### 3 Pillars of Labor Law in PH

1. Labor Standards – the minimum standards of employment that employers must follow.

This includes the terms and conditions of employment, such as payment of wages, hours of work, rest periods, working conditions, and other basic employment rights. So, it's everything we previously discussed last time about the basic rights and conditions of workers.

2. Labor Relations – the right of workers to self-organize.

This includes formation of trade unions and collective bargaining. So, our discussion about trade unions belongs here.

3. Labor Legislation – special laws that protect workers.

This includes GSIS laws, portability law, and other laws that provide benefits, protection, and security to workers

### Labor Relations

Labor Relations denotes all aspects of the Er-Ee relationship which involve concerted action on the part of the workers. It is usually associated with all the ramifications of unionism, collective bargaining and negotiations, and concerted activities such as strike, picket, mass leave, etc.

- Labor Relations is based on Section 3, Article XIII of the 1987 Philippine Constitution.
- Article XIII is entitled Social Justice and Human Rights.

Constitutional Rights

1. Self-organization
2. Peaceful concerted activities including the right to strike in accordance with law

> Employees cannot immediately go on strike. If the strike is not done in accordance with law, the workers may become liable. That is why they must follow the strict legal procedure before conducting a strike.

3. Participate in policy-decision making processes affecting their rights and benefits as may be provided by law

> This is only in matters that affect their rights and benefits, such as wages, benefits, and working conditions.

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### Right to Self-Organization

Right to Self-Organization is the right of workers and employees to form, join, or assist unions, organizations, or associations for purposes of collective bargaining and/or for mutual aid and protection, including the right to engage in peaceful concerted activities and participate in policy-decision making processes affecting their rights and benefits.

Self-organization is a fundamental right guaranteed by the Philippine Constitution and the Labor Code. Employees have the right to form, join or assist labor organizations for the purpose of collective bargaining or for their mutual aid and protection (UST Faculty Union v. Bitonio, G.R. No. 131235 (1999))

The right to self-organization can also be found in Article III, Section 8 of the 1987 Philippine Constitution, under the Bill of Rights: "The right of the people, including those employed in the public and private sectors, to form unions, associations, or societies for purposes not contrary to law shall not be abridged."

The right to form unions or associations is not limited to private employees. It also applies to public or government employees. However, the exercise of this right by government employees is more limited compared to private employees. They cannot stage a strike, because this may affect government operations and public service.

GSIS v. Villaviza

Government employees wore protest shirts to express their grievance against management.

The Supreme Court ruled that this was not considered a strike or prohibited mass action because there was no work stoppage or disruption of public service.

The Court said that not all collective actions of government employees are prohibited. Government employees still have the right to freedom of expression, although this right may be reasonably regulated because they are in public service.

UST Faculty Union v. Bitonio

There was a faculty union in UST that wanted to elect new union officers.

They conducted the election during a general assembly. However, the management and some employees are against the election and the general assembly, so the issue reached the Supreme Court.

The Supreme Court discussed the right to self-organization. It recognized that even faculty members have the right to form, join, and create unions for collective bargaining or mutual aid and protection.

### 2 Notions in Forming Union, Association, or Self-Organization

1. liberty or freedom – the absence of restraint which guarantees that the employee may act for himself without being prevented by law

2. power – by virtue of which an employee may, as he pleases, join or refrain from joining an association

It is unlawful for any person to restrain, interfere with, or discriminate against employees in exercising their right to self-organization. If the employer interferes with the workers' right to form or join a union, it may amount to Unfair Labor Practice (ULP).

Unfair Labor Practice – acts that restrain or interfere with the workers' right to self-organization. It is a violation of the Constitution and the Labor Code.
– Not every violation is automatically ULP. For example, non-payment of wages is not automatically ULP, because ULP is connected to interference with the right to self-organization.
– An example of ULP is when a rank-and-file employee forms a union, and the employer threatens to dismiss them if they continue forming the union.

### Right to Join and Right Not to Join

The right to self-organization includes both:
1. The right to join a union or association; and
2. The right not to join one.

This means that an employee cannot be forced to join a union or association if they do not want to. Forcing a person to join is a violation of the right to self-organization.

**Sta. Clara Homeowners' Association v. Spouses Gaston**

There was a case involving a married couple who bought a subdivision lot. The homeowners' association required them to join the HOA and pay dues.

The couple refused to join, so the issue reached the Supreme Court.

The Court ruled that a person cannot be compelled to join an association. It stated that the right to self-organization includes not only the right to join, but also the right not to join.

**Samahan ng Manggagawa sa Hanjin Shipyard v. Bureau of Labor Relations, Hanjin Heavy Industries, Industries G.R. 211145 - 14, 2015 J. Mendoza**

A group formed an organization using the name of Hanjin Shipyard. However, the group was composed of different employees such as regular, part-time, and some who were not actually working in the company.

The company refused to recognize the group as a union because it did not exclusively represent the employees of the company.

The Supreme Court agreed with the company. They stated that for a group to be recognized as a union for collective bargaining, it must represent the workers of that company.

However, if the members come from different situations or are not all employees of the company, they may still form an association, but only for mutual aid and protection, not for collective bargaining.

## People Who May Exercise the Right to Self-Organization

- All employees
- Government employees of corporations created under the Corporation Code
- Supervisory Employees
- Aliens with valid working permits
- Security personnel

For government employees of corporations created under the Corporation Code, dati kasi may government agencies na created under Corporation Code. However, under the Revised Corporation Code of 2018, the Corporation Code now mainly governs the creation and management of private corporations.

For supervisory employees, they may form, join, and organize unions or associations but they cannot join unions of rank-and-file employees. If they want to exercise their right to self-organization, they must form or join a union composed only of supervisory employees.

For security personnel, they were not allowed to exercise the right to self-organization before because of the nature of their work.

However, President Corazon Aquino issued an Executive Order removing this limitation. The Congress strengthened this through enacting R.A. No. 6715, which fully removed the restriction.

Now, security personnel may now form, join, or assist labor organizations.

### Restricted Employees in Forming, Joining, and Assisting Labor Organizations

- Managerial employees;
- Confidential employees (in the field of labor relations);
- Employee-members of a cooperative;
- Government employees;
- Employees of international organizations;
- Foreign workers;
- Religious objectors;
- AFP, police officers, policemen, firemen, jail guard.

Religious objector is not only used in Labor Law. It may also be used to exercise a constitutional right, especially the freedom of religion.

In the movie about Desmond Doss during World War II, he refused to use a gun because of his religious belief.

Even though he served in the military, he did not fight using weapons. Instead, he served as a medic.

Because of this, he was still able to help and save many soldiers.

The main point is he can refuse to do something because it is against his religious belief. This is protected because the freedom of religion is a constitutional right.

Victoriano v. Elizalde Rope Workers Union, G.R. No. L-25246, 12 Sept. 1974

There was a closed-shop agreement between the company and the union.

Victoriano refused to join the union because he was a member of Iglesia ni Cristo, and his religion prohibited him from joining labor unions or associations.

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The Supreme Court ruled that he cannot be compelled to join the union.

The Court said that the free exercise of religious belief is superior to contract rights. So, if there is a conflict between religious freedom and a closed-shop agreement, religious freedom prevails.

A closed-shop agreement means that an employee must be a member in good standing of the union to be hired or to continue employment. This is considered legal in the Philippines.

However, other countries, especially developed countries do not recognize it because they give more importance to the freedom of self-organization.

The right to participate in policy and decision-making is not absolute.

Employees may participate only if the policy affects their:

- terms and conditions of employment
- security of tenure
- rights and benefits as employees

If the matter involves management prerogative or purely business operations, employees cannot interfere.

Management Prerogative – refers to the employer's right to regulate all aspects of employment. This covers pre-employment, during employment, and post-employment.

If a policy may affect the employees' livelihood or security of tenure, management should properly inform the employees since scrutiny of the policy must be made first.

PAL v. NLRC, G.R. No. 85985, 13 Aug. 1993

The issue involved pilots and their classification as employees.

At that time, there was still no clear classification whether pilots were:

- rank-and-file employees
- supervisory employees
- managerial employees

This classification is important because it determines whether they may exercise the right to self-organization or join unions.

### Bargaining Unit

| National Union or Federation | Trade Unions |
|---|---|
| With at least ten (10) locals or chapters (or independent unions [Sec. 2-B(5), Rule III, Book V, IRR], each of which must be a duly recognized collective bargaining agent [Art. 244] | Composed of a group of registered national unions or federations |
| Can directly create local chapter [Art. 241] | Cannot directly create local chapter [SMCEU-PTGWO v. SMPEU-PDMP, G.R. No. 171153 (2007)] |

- Trade Union – the highest level composed of National Union or Federation.
- National Union or Federation – made up of at least 10 local chapters and collective bargaining agents (CBAs).
- Collective Bargaining Agent (CBA) – representative of workers in a company/firm. They have the right to negotiate with management.
  – A union becomes a CBA only if it wins an election, or it is properly recognized.

Flow

1. Collective Bargaining Unit →

2. Election/Recognition →
3. Collective Bargaining Agent

Bargaining Unit – a group of employees sharing mutual interests within a given employer unit, composed of all or less than all of the entire body of employees in the employer unit or any specific occupational or geographical grouping within such employer unit. [Sec. 1(e), Rule I, Book V, IRR].

## Process of Union Formation

1. Form a Union – workers in a firm form a Collective Bargaining Unit (CBU).
2. Election / Recognition – the CBU must win the election, or be officially recognized.
3. Become Collective Bargaining Agent – it becomes the official representative of workers. It is the only group allowed to negotiate with management.
4. Registration – the agent may register under national union, federation, or trade union.

- A company may have only one bargaining unit, or multiple bargaining units.
- If multiple units exist, there must be an election to determine who will act as the official bargaining agent.

  The winner is the one who can negotiate with the management. Losing unions cannot negotiate since they are not recognized as collective bargaining agents.

## Labor Organization

Labor Organization means any union or association of employees which exists in whole or in part for the purpose of collective bargaining or of dealing with employers concerning terms and conditions of employment. (Art. 219 (g), LC) It is created for mutual aid, interest, cooperation, protection, or other lawful purposes. (Sec. 1, Rule I, Book V, IRR as amended by D.O. No. 40-04)

Legitimate labor organization means any labor organization duly registered with the DOLE, and includes any branch or local thereof. (Art. 219 (h), LC)

Bargaining representative means a legitimate labor organization or any officer or agent of such organization, whether or not employed by the employer. (Art. 219 (i), LC)

Company Union refers to any labor organization whose formation, function or administration has been assisted by the employer. This may constitute unfair labor practice by the Labor Code. (Art. 219 (i))

What will happen if a Collective Bargaining Unit (CBU) wins the election but is not registered with DOLE?

It will not be recognized as a Collective Bargaining Agent (CBA) since it is not a Legitimate Labor Organization (LLO). Kaya required na magregister muna with DOLE.

## Rights of a Legitimate Labor Organization

1. To act as the representative of its members for the purpose of collective bargaining; (Right of Representation)
2. To be certified as the exclusive representative of all the employees in

an appropriate bargaining unit for purposes of collective bargaining;
3. To be furnished by the employer with annual audited financial statements, including the balance sheet and the profit and loss statement; (Right to Information)
4. To own property, real or personal; (Property Rights)
5. To sue and be sued in its registered name; (Property Rights)
6. To undertake all other activities designed to benefit the organization and its members; and (Art. 251, LC) (Property Rights)
7. To collect reasonable membership fees, union dues, assessments, fines, and other contributions. (Art. 292(a), LC) (Right to Collect Union Dues)

For the right of collective bargaining, it means that the union can negotiate with the employer regarding wages, benefits, and terms and conditions of employment.

For property rights, the union has a legal personality. Cases may be filed by the union, or against the union.

For the right to collect union dues, the collected dues are used for union operations, activities, and necessary expenses. It is only collected from members but there must be written consent from the employee.

Situation #1: Elizalde is not a union member. However, he benefits from the salaries, benefits, terms and conditions of employment that's negotiated by the Collective Bargaining Agent. Is he required to pay union dues?

No. Instead of paying union dues, he is required to pay agency fees instead.

Unjust Enrichment – when a person benefits from the union's efforts but contributes nothing in return. This is unfair to union members who actually pay union dues.

- Union Dues – paid by union members
- Agency Fees – paid by non-union members who still benefit from the CBA

Situation #2: A company has several bargaining units/unions:
- Union A
- Union B
- Union C

Union A won the election and became the CBA. Can Union A collect fees from members of B and C even if they lost?

Yes. B and C members will still pay but they will pay agency fees, not union dues.

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Can Union A exclude B and C members from benefits?

No. That is considered discrimination. When CBA negotiates, the agreement is for all employees in the bargaining unit. Not only for union members.

## Duty to Bargain Collectively

The duty to bargain collectively means the performance of a mutual obligation to meet and convene promptly and expeditiously in good faith for the purpose of:

1. Negotiating an agreement with respect to wages, hours of work, and all other terms and conditions of employment;
2. Including proposals for adjusting any grievances or questions arising under such agreement;
3. Executing a contract incorporating such agreements if requested by either party but such duty does not compel any party to agree to a proposal or to make any concession (Art. 263, LC); and
4. Negotiation over the terms of a new contract or proposed modifications, when an existing agreement is validly opened for negotiations. (Azucena, 2016)

Once there is a recognized CBA, both union representative and employer have the duty to bargain collectively.

Refusal to bargain may constitute Unfair Labor Practice (ULP) because it restrains employees in exercising their right to self-organization.

It results in a Bargaining Deadlock if both parties fail to agree on terms/conditions of employment during collective bargaining negotiations.

## Collective Bargaining Agreement (CBA)

Collective Bargaining Agreement (CBA) – a contract executed upon request of either the employer or the exclusive bargaining representative of the employees, incorporating the agreement reached after negotiations with respect to wages, hours of work, and all other terms and conditions of employment, including proposals for adjusting any grievances or questions under such agreement.

- 5 Years – lifetime representation aspect of the CBA
- 60-Day Freedom Period – Within 60 days before CBA expiration, parties may negotiate changes to the agreement. New contract may be help if may changes na mangyayari.

The CBA is the law between the contracting parties and the Collective Bargaining representative and the employer-company. Compliance with a CBA is mandated by the expressed policy to give protection to labor. (Vicente Almario v. Philippine Airlines, Inc., G.R. No. 170928, 11 Sept. 2007)

No unilateral changes to a CBA without consent of both parties. Any modification in the CBA requires the consent of the employer, and the bargaining representative.

Situation: The minimum wage in NCR is ₱695.00 for example. The union representative negotiated an additional ₱50 increase. Agreed wage is ₱745.

Later, the company experienced losses/economic crisis and decided on its own to reduce wages by ₱2. The new wage became ₱743. Is it valid?

No. The employer changed the implementation of the CBA without the consent of the bargaining representative. Unilateral changes in a CBA are not allowed.

It can only be valid if the bargaining representative/union agreed to the change.

## Mandatory Provisions of CBA

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For a matter to be subject to mandatory collective bargaining, it must materially or significantly affect the terms or conditions of employment.

Examples of matters considered as mandatory subjects of bargaining:

1. Wages and other types of compensation including merit increases
2. Working hours and working days, including work shifts
3. Vacations and holidays
4. Bonuses
5. Pensions and retirement plants
6. Seniority
7. Transfer
8. Lay-offs
9. Employee workloads
10. Work rules and regulations
11. Rent of company houses
12. Union security arrangements CBA should include the mandatory provisions such as grievance procedure, "no strike-no lockout" clause, cooperative scheme, and Labor Management Council (LMC).

Retirement Age

- 60 y/o – optional retirement age
- 65 y/o – mandatory retirement age

Some occupations have different retirement ages because of the nature of their work. This is due to the law recognizing the risky nature of their occupation.

1. Uniformed Personnel – from 56 years old, increased to 57 years old (September 2025 update)
2. Miners – they can optionally retire from 50 years old as long as they served at least 5 years.

### Procedural Requirement for Strike (Art. 278)

1. Effort to bargain (for bargaining deadlock strikes)
2. Filing and service of notice of strike
3. Observance of cooling-off period

   a. 15 days for ULP
   b. b. 30 days for bargaining deadlock

   No cooling-off period when the ULP can be considered union busting (dismissal of duly elected union officers from employment)

4. Notice of strike vote meeting to NCMB within 24 hours before the strike vote [Sec. 10, Rule XXII, Book V, IRR]
5. Strike vote
6. Strike vote report sent to NCMB
7. Observance of the waiting period (7-day strike ban)

- It's considered an illegal or unlawful strike if the procedural requirements for a strike are not followed.
- The only valid grounds for strike are bargaining deadlock and unfair labor practice.
- The union must conduct a strike vote through a secret ballot where members will vote yes/no for strike.

Even if the strike itself is lawful, union officers and members may still face criminal liability and be dismissed if they commit illegal/criminal acts during the strike.

Illegal strikes may terminate union officers' employment but can't terminate ordinary union members but they won't receive pay during the strike period. They can only be terminated if they do illegal acts during a strike.

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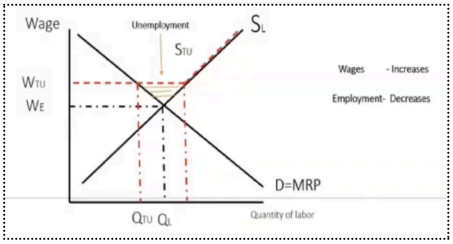
### Effect of Trade Union in a Purely Competitive Labor Market




When a trade union enters the labor market, it negotiates for higher wages. This makes labor more expensive for employers kaya onti lang hinahire.

Wages ↑
Employment ↓

It assumes a closed shop agreement, making the union control or "monopolize" the supply of labor.

- employer can hire only union members
- employees must remain in good standing with the union

#### Effect on Employment

As wages increase, labor becomes more expensive for the employer.

Cost of Production ↑
Hiring of Workers ↓
=
Employment ↓

#### Effect on the Supply Side

More workers are willing to work since wages are higher. But the union will not allow labor to be supplied below the union wage.

Labor Supply ↑
Employment ↓

=
Unemployment ↓

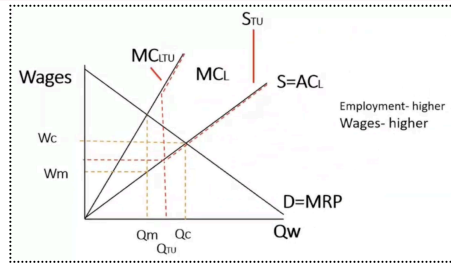
This shows that in a purely competitive labor market, trade unions do not always benefit all workers since union members who keep their jobs benefit from higher wages but some workers lose employment opportunities because firms hire fewer workers.

#### How to Check if Trade Unions Help

Comparing employees who are union members vs non-members and checking if ang union members are talagang earning more.

1. Union Density – percentage of workers/professionals who are union members – higher union density = stronger union power
2. Union Markup – wage difference between union members and non-union workers

### Effect of Trade Union in Monopsony




In a monopsony, employers have a power to control wages making lower employment level and wages are usually lower than competitive wages.

When a trade union is present, the union negotiates for higher wages. This increases wages and employment levels, improving the condition of employees.

Wages ↑
Employment ↑